

**EFFECT OF DOWNSIZING ON EMPLOYEES' PERFORMANCE: CASE STUDY OF  
SIDIAN BANK LIMITED FORMERLY KREP BANK**

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## **DECLARATION**

This research project is my original work and has not been presented for award of degree in any other University.

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Declaration by Supervisor:

I confirm that this project report has been submitted for examination with my approval as the University Supervisor's

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## **DEDICATION**

I wish to dedicate this project to my lovely daughters, Alexa Kendi and Maya Wendi, my husband James Guteta and to my friends and classmates. Your inspiration, love, encouragement and support in diverse forms will always be remembered and cherished.

## **ACKNOWLEDGEMENT**

It is my utmost desire appreciate all those individuals whose contribution made this research work to come to completion.

Most importantly, I wish to acknowledge God for the divine enablement, and for giving me knowledge and wisdom that resulted to great strength, patience and courage to complete my studies in the right spirit.

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My heartfelt appreciation and indebtedness also goes to my Mum Loise and Josphine, and my dearest grandmother for offering me unfailing moral and financial support throughout my study period and for bearing with me in terms of time and resources.

God bless you all.

## **ABSTRACT**

The study was purposed to examine the effect of downsizing on employees' performance in the context of banking sector, Kenya. Employees' performance is used as dependent variable and the attributes of employee such as employees' morale, employees' commitment, employees' turnover and job security are used as dependent variables. The study gave emphasizes majorly relating to the effect of downsizing on employees' morale; employees' commitment employees'; employees' turnover and job security at Sidian bank. The study will act as source of invaluable information to the strategists rethink their focus on understanding the consequences of downsizing and devise strategies that ensure the delivery of the desired out come as well as add to the existing literature on downsizing and employees' performance in the banking sector. The study employed descriptive research design and the main research instrument was questionnaires. The target population was all employees of Sidian bank. A sample of 56 respondents was selected using non-probability convenience sampling.

Data was analyzed through descriptive statistics. The study found out that downsizing affects employees' performance to a greatest extent and committed employee is loyal and supports the organization in turbulent times. The study concludes that downsizing can increase employee turnover intention and that major change such as downsizing in the organization puts the employee's job security at a threat; and that employees may consider job security their top priority in time of uncertain economic environment. Moreover, the study recommends that the organization must improve employees' morale in an effort to enhance employee's productivity and make them feel secure about retaining their job.

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## **ACRONYMS AND ABBREVIATIONS**

FSAs	: Financial Services Associations
HR	: Human Resource
NGOs	: Non-Governmental Organizations
K-Rep	: Kenya Rural Enterprise Program
R&D	: Research and Development

## **OPERATIONAL DEFINITION OF TERMS**

**Commitment:** This is a compelling reason that ties an employee to a given planned activities that is of significance to a specific objective.

**Downsizing:** It is the conscious utilization of perpetual employee reduction directed towards improving efficiency and/or effectiveness.

**Employee Performance:** This refers to the successful completion of tasks/work activities by a selected person, as set and measured by a supervisor or organization, o predefined acceptable standards.

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.0 Introduction**

This chapter provides an overview of the underlying issues to be covered under the study. This gives an outline of the brief of the foundation of the study, what the study ought to achieve, as well as importance and difficulties to be encountered during the whole process.

### **1.1 Background of the Study**

There appears to be no globally agreed interpretation of this concept of “downsizing” because the concept is understood differently by various scholars and authors. Atta, Guthrie, Basuil, Pandey (2010), defines downsizing as an organized set of organizational strategies undertaken to cut down work force in a bid to contain redundant costs with the ultimate objective to improve firm profitability. Downsizing is deliberate overhaul or piecemeal approach to which a firm reduces size of human resource employed in the organization.

Downsizing is restructuring strategy in which a firm reduces the number of employees, its overall size and scope permanently with the ultimate goal of improving efficiency and/or effectiveness. Such terms synonyms with downsizing encompass rightsizing, leaning-up, streamlining, layoffs, rightsizing, and retrenchment, among others. These concepts partially share some meaning with downsizing with different connotations and criteria for assessment. Downsizing is the deliberate human resource strategy aimed at reducing the workforce permanently solely towards the path of achieving efficiency in response to market changes. Mellahi and Wilkinson (2004), opines that downsizing is viewed in corporate purview as one of the popular turn-around strategy adopted to contain operational costs and improve organizational performance.

Based on the definition and interpretation shared by different authors, one can validly conclude that downsizing is in no doubt viewed by management as the most favoured path of turning around organizations during tough economic conditions such recessions to control overhead costs and ultimately improve organization’s bottom line, (Mellahi and Wilkinson, 2004). Downsizing is a key and proactive reaction intended to move forward organizational viability and enable the organization meet its mission in the market arena.

According to Trahms, Ndofor, and Sirmon, (2013), downsizing is a radical form of corporate reorganization that aims to reestablish alignment between strategy and organization. Despite the advantages of downsizing, it is also seen as a hindrance to employee innovation that is directly related to the destruction of the organizational social fabric. Performance refers to capacity of a firm to attain such targets as high benefits, quality item, and substantial market of the overall industry, better financial outcome, and survival by adopting appropriate strategy for action. Performance is good indicator of how well the business is performing revenue growth, pie of the industry share and product quality when compared to the peer in the market. For that reason, it reflects the effectiveness at which workforce is employed to increase productivity including turnover, profit margins, growth, development and expansion, its asset management, and the operational efficiency. Performance is the ultimate goal of any organization to achieve the best results, output, services and products as well as competing in the local market and global arena.

#### **1.1.1 Sidian Bank limited (Formerly K-Rep Bank)**

K-Rep was founded in 1984 by private organization domiciled in USA. The institution obtained funds from United States Agency for International Development (USAID). Initially, the enterprise was formed as NGO to support the development of Small and Micro Enterprises that had been neglected by mainstream banking. Later on the organization began giving out loans to the NGOs as opposed to giving grants and technical advice, in 1989. In the same year, K-rep officially implemented a micro-credit lending program as its core business and growth area. The institution further increased its activities to include research & product development, and introduced a fee for its technical assistance activities and advisory service. Ten years later after introduction of micro credit program, the founder established K-Rep Bank, and KDA which offered technical and advisory assistance as distinct entities with each segment having specific objectives.

K-Rep Bank is not only one of the most innovative enterprise but also posted remarkable successes as microfinance in Rural Kenya. The bank has continued to serve the poor who are generally considered unbankable with financial solution, thereby helping them to earn a living and job opportunities for low-income people. K-Rep bank initial goal was to adequately deliver innovative products to poor people living in the rural part the country. The bank offers in a wide array of financial solutions, including microcredit to farmer, home owners, renewable energy

technologies, medical loan, capacity building, and an information center. The institution has witnessed steady growth in the creation of financial services associations (village banks) mostly in rural areas. The bank operates 38 branches in all major towns across Kenya. In April 2016, the bank rebranded and changed its name to Sidian Bank after successful acquisition by new strategic investor, Centum Investment Limited.

## **1.2 Statement of the problem**

Employees play a significant role in any organization; they are part of the critical assets that sets apart the organization from the rest and cannot be imitated. Employees' dedication, commitment and concerted effort in performing their duties contribute to performance of the organization. In addition, the outcome of downsizing organization is the need for reorganization. Surviving employees are integral to organizational success. Malik & Ahmad (2011) stated that surviving employees' organizational commitment must remain intact if the organization is to achieve desired results of downsizing. However, employees whom executive trust to steer the revitalization may exit for the reason that downsizing obviously demotivates and reduces workers' organizational commitment.

Recently, the growing concerns about downsizing as the strategy to attain organizational effectiveness, has attracted great attention. The bank have over time experienced the highest staff turnover since it was acquired by the new investors called Centum investment in 2014. Many of the employees had placed their hope on the new investor to improve the term of employment and working relationship as well. However, the bank performance has not been impressive over the year owing to stiff competition from the big bank. This had forced the bank to institute internal cost cutting measures such freezing salary increment and bonus payment, use of internees, recycling of used printing paper, switching off lights, shutting down computers when leaving, avoiding unnecessary use of transport services and bulking buying of stationery to enjoy quantity discount among others.

Since the beginning of 2015, many employees including managers have left the bank without replacements being made to fill their positions. The new employees being recruited have been fewer compared to the staff leaving the bank. Although the bank has remained steady fast in its quest to be tier II bank, it is yet to achieve the desired performance including profitability level.

Downsizing has adverse significance on corporate memory including employee attitude, destabilize social relations, employees with special expertise leave, and disrupts knowledge

sharing. Given that downsizing is closely viewed as cost reduction strategy, downsizing firms may slice down training expenditure allocation, freeze external recruitment, and cut down R&D expenditure. The researcher observes that only few studies touching on downsizing have been carried out in Kenya and the few one touches on broad issues and therefore “workforce downsizing” being a current theme in the light of global environment is an important strategy that require further investigation. This study therefore intended to gain insight of the overall effect of downsizing on employees’ performance.

### **1.3 Objectives of the Study**

The study proposed to explore effect of downsizing on employees’ performance.

#### **1.3.1 Specific Objectives of the Study**

The study was confined to the following specific objectives:

- i) To establish the effect of downsizing on employees’ morale in Sidian bank.
- ii) To determine the effect of downsizing on employees’ commitment in Sidian bank.
- iii) To find out the effect of downsizing on employees’ turnover in Sidian bank.
- iv) To find out how downsizing affects job security in Sidian bank.

### **1.4 Research Questions**

The study was sought to answer the research questions as outlined below:

- i) What is the effect of downsizing on employees’ morale in Sidian bank?
- ii) What is the effect of downsizing on employees’ commitment in Sidian bank?
- iii) What is the effect of downsizing on employees’ turn over in Sidian bank?
- iv) How does downsizing affect employees’ job security in Sidian bank?

### **1.5 Significance of the Study**

The research study will lead to a better understanding of issues of relating to staff downsizing. The study will be a source of vital information to the strategists to rethink and focus on understanding the consequences of downsizing and devise strategies that ensure the delivery of the desired outcome.

The study will give experts and consultants perspectives on whether downsizing is critical for the continued existence of the organization against the backdrop of changing marketing environment.



This study will benefit both current and potential scholars because it will add to the existing literature on downsizing and employees' performance in the banking sector. This study can be a source of secondary data to future researchers.

### **1.6 Limitation of the Study**

The researcher encountered the following challenges throughout the period:

Due to limited availability of employees of the bank and the vastness of private sector, this study confined itself to banking sector only and specifically Sidian bank limited.

Poor time management by employees poised a challenge in data collection process. Some respondents appeared late as they were doing other things, others failed to keep appointments leading to failure to get responses from them in the end. To reduce this problem and the researcher employed convenience sampling technique in data collection in order to save time in addition to engaging a research assistant at a small fee to speed up the process.

Moreover, the researcher encountered challenges during data collection since few participants failed to co-operate and would not believe that the research is purely academic while others had tight work schedules and therefore could not participate in data collection process. To mitigate this, the researcher obtained an introductory letter from the university administration permitting her to collect the required data.

There were sanctions against employees to participate in data collection exercise which hampered researcher's efforts to obtain large pool of information. In addition, a portion participant refused to respond to the interview due to fear putting their jobs at risk. To mitigate this, informants' confidentiality was assured of all information given and that it was to be used for academic purpose only.

### **1.7 Scope of the Study**

Geographical Scope: The researcher targeted banking sector of Kenya. The study was also confined to employees of Sidian bank Ltd. The research was conducted between July and September.

Population scope: Private sector comprise of many industries which is so wide to be covered within limited timeframe hence the population of study was employees of Sidian bank.

Time scope: The period ran from June2014 to present. This is to ensure that the result reflects the current trend against the backdrop of downsizing.

### **1.8 Chapter Summary**

The chapter gives a short description of the research study highlighting the snapshot of the topic under review. It features the effect of downsizing on employees' performance.

The study will allow managers important information to develop strategic approach in understanding the consequences of downsizing and devise strategies that ensure the delivery of the desired outcome among others as well as defining the scope of the study bearing in mind that private sector comprise is so wide to be covered within limited timeframe hence the population of study will be surviving employees of Sidian bank.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

The real reason behind going through the literature is to find out what is known about the issue so as to avoid circumventing the wheel. It give understanding and knowledge necessary to build up a coherent structure as well as to recognize contribution of other individuals in this area of study. According to Fain (2009), the literature review gives vital information with respect to what has been done thereby explaining the research gap to be filled. This is discussed in terms of theoretical review, empirical review and summary and research gaps, conceptual framework conceptualization and operationalization of variables and chapter summary.

#### **2.1 Theoretical Review**

This subsection covers the relevant theories on which the study is anchored; reasoned action theory, organizational justice theory cognitive dissonance and expectancy theory.

##### **2.1.1 Reasoned Action Theory**

Ajzen and Fishbein, (1969, 1980) developed the theory of reasoned action. The RA theory presents a frame work with possible advantages for estimate the motive to exhibit certain behaviour based on an individual's beliefs. The theory posits that behavioral outcome can be predetermined via examining one's intention to project in a given behavioral character. Generally, the individual's intention is influenced by the person's attitude towards the outcome of the behavior and person's idiosyncratic norm, (Fishbein and Ajzen, 1975).The RA theory states that the behaviour of a person is determined by two factors, which are: attitude towards behaviour and a person's perception of social pressures. Attitude towards behaviour is an internal or a personal factor. At the same time, the stringent peer pressures within social strata have a huge influence on the individual in shifting their attitudes, values, or behaviors to conform to group,

Reasoned Action Theory (RA) can be used to explain why the employees who exist within a downsizing organisation decide to leave the organisation. The initiatives of announcing major changes in the organisation can cause employees to leave the organisation despite the management believe that they are the career employees. As long as the intent to downsize

remains constant, all social behaviorism contingent on the actors' intentions is predictable. (Yousafzai, Foxall, & Pallister, 2010). Employees' whose intention is to remain with the organization before the intentions of layoff are announced, may experience a change in attitude, after the layoff procedures have been made. It is therefore critical for the management to explore the possible stressors that may provoke the employees' intentions to leave the organization even though they had not planned so long as the organization has been laying off part of the workforce. This will help the organization to come up with better and effective policies regarding downsizing. However, it is almost impossible to lose employees within an organization that has strong organizational cultures even in the event of downsizing. This is because they make the employees feel that they have a sense of belonging.

### **2.1.2 Organizational Justice Theory**

John Stacey Adams formulated the Justice theory in 1963. It suggests that individuals determine if the resources are fairly distributed to both relational partners. This theory demands that the organization and the employees must observe justice in the distribution of resources. This means that corporation must ensure fair balance between inputs (commitment, time) and outputs as far as employees are concerned (salary, benefits, work environment). Justice theory focuses on judgment of fairness in corporation that should give consideration to employees' concerns about their treatment in terms of productivity vis-à-vis employee benefits. Procedural justice (fairness) refers to the subjective judgment that fair procedures will be followed to derive outcomes, (Leventhal, Karuza & Fray, 1980). Theories of procedural justice highlight that procedures are treated to be fair when the decisions are made devoid of conflict of interest and in the best interest of those affected by the decisions.

From this perspective, the employees who are left with organization would be expected to exhibit negative attitude against the employer because they have strong relational affinity with the layoff victims, and may feel the victim's plight have not been well addressed. The two concepts of organizational justice complement each other: distributive justice and procedural justice. Rightly put distributive justice encompasses decisions concerned with fairness in the appropriation of rewards such as pay, promotion as well as managerial decisions touching on employees' welfare on one hand. On the other hand, procedural justice is concerned in ensuring fair decisions are made that are well aligned with the employees' issues and thus not detrimental to

the up light of the employees. This goes a long way to create a positive behavior among workforce when individuals perceive that expected outcomes are fair. Company's fair policies, procedure and decisions tend to make employees show ethical behavior (Baker, Hunt, & Andrews, 2006).

Sahdev (2003) proposes that the primary objective of human resource experts must be in executing the procedural parts of workforce redundancy, including reasonable selection and arrangement of outplacement services for the leavers. The role of the HR should be well coordinated towards dealing with the vital aspect of decision-making processes aimed at managing surviving workers effectively. Moreover, the HR specialists should be persuasive at all levels so as to handle the survivors effectively without creating disharmony. This leadership ability will enable the organization to maintain competitiveness. Furthermore, strategic reduction of workforce is probable viable in the long run where sound practices that strengthen the commitment of human resource managers e.g. effective communication, economic and emotional support to retrenched employees and creating work environment that guarantee job security to those who stay behind sound policies and with help the commitment of HR. e.g. extensive communication, respectful treatment of redundant employees and attention to survivors concerns over job stability.

### **2.1.3 Cognitive Dissonance Theory**

Cognitive dissonance theory was postulated by Festinger in 1957. The hypothesis affirms that people are troubled by conflicting psychological components, for example, discrepancy between observable confirmation and past decision, and that people change their convictions to lessen this discomfort. The key element of dissonance is that people modify their beliefs to comply with their past actions. Cognitive dissonance refers to a circumstance involving conflicting attitudes, convictions, beliefs or practices. This causes a feeling of discomfort prompting a modification in one of the states of mind, convictions, beliefs or behaviors to diminish the discomfort and restore balance and so on.

As indicated by Coldwell, Bilsberry, Meurs, and Bog (2008), cognitive dissonance represents organizational interest, altruistic worry for ones' own advantage, coupled with coherent atmosphere need to conform to policies. Besides, ethical atmosphere in organizational setting

allow norms to thrive which guides behavior of workers in the whole system. In the context of downsizing decision making, cognitive dissonance can be viewed as a mental cost that workers try to diminish by modifying their beliefs about the efficacy of past decisions. Cognitive dissonance hypothesized that individuals are sensitive to irregularities occurring between their actions and beliefs. Accordingly, human beings as a whole perceive, at some level, when they are acting in a way that is conflicting with our beliefs, attitudes, opinion, convictions or personal assessment.

#### **2.1.4 Expectancy Theory**

The expectancy was first formulated by Vroom (1964). In this theory, Valency stood for value, instrumentality was said to be the conviction that if one does a thing it will prompt another while expectancy was said to be the likelihood that activity or effort will lead to some results.. This principle was borrowed as the foundation of valency theory that all actions are based on expectation of a favorable result. The expectancy theory thus states that all actions are based on the expectation of a favorable outcome putting bi-polar pressure on organizational employee -employer relationship.

People's effort is directly dependent on the reward expected out of the effort (Hayibor, 2012). When organization's administration announce its plan to layoff, workers tend to feel vulnerable and they began to think about their future with the organization negatively. This infers staff may adjust the level of commitment of towards the organization. This in turn results to dismal productivity due to the reduction of employees' commitment. The expected outcome gives a premise in anticipating the employees' motivation to perform in a specific way given a set of conditions.

It is important for the management of a downsizing organization to understand the expectations of the working employees, by addressing any perceived discrepancies within their expectations before issues arise. When an organization is undergoing changes, employees tend to relax and fail to give their best contribution to the organization. This can be reduced by the management through forums of open communication and giving them hope for their future within the organization.

As postulated by this hypothesis, a worker is well motivated to play out his or her roles well contingent upon the value of the expected reward as perceived by the employee. The success of the employees performance highly depends on the accomplishment of tasks after the communication of downsizing has been finished. The energy that goes towards completing any given activity relies upon employees' perception towards their responsibility in the process, capacity to carry out the task, and in addition how well the worker is persuaded to achieve the given assignment (Van den Broeck, Vansteenkiste, Lens, & De Witte, 2010). These combination of action and their anticipated results are basic to this theory and serves as a major predictor of the job performance in the light the employees belief or conviction that their effort will draw out the desired outcomes as expected in their job execution.

The employees' expectations regarding their progress and advancement opportunity and growth may be altered by stress level occurring during the period of rightsizing. This may cause reduction in the employees' performance, due to the changes in their expectations. Employees who are not permanent may feel less obliged to perform when it comes to cases of layoffs as compared to those employees who are on long term basis and permanent. The expected outcome provides a basis of prediction of an employees' motivation when it comes to performance as expected as set in a certain manner of circumstance (Liao, Liu, & Pi, 2011). Employees, who are uncertain about their future within the organization, tend to experience more stress than the actual layoff. The expectation that employees will have, will be followed by the belief that such acts will be followed by such actions.

## **2.2 Empirical Review Literature**

The section covers past studies which have been conducted in the area of downsizing and touching on employees' morale, employees' commitment, and employee turnover and job security. Downsizing is a conscious choice taken by the organization to lessen the workforce. The procedure is undertaken with the true objective of enhancing organizational bottom line.

Jaewon and Corbett (2006) examined the effect of downsizing on employees' affective commitment. The results demonstrated that severe retrenchment leads to employees' feel less sense of duty to the organization. Moreover, downsizing affects the employees' feeling sense of

duty to the organization via daily work encounters of employees. In this manner, downsizing influences employees' affective sense of duty to the organization both directly and indirectly.

### **2.2.1 Downsizing and Employees' Morale**

Amy (2013), in his study entitled "the effect of downsizing on team performance in an Airline company" found out that business pilots working in downsized carriers announced increased anxiety, stress, distraction, coupled with a corresponding decrease in trust, morale, and organizational responsibility.

Appelbaum, Everard, and Hung (2001), observed that in instances where downsizing is not well managed, the individuals who remain are frequently portrayed as suffering from survivor syndrome. Survivor syndrome describes the mentalities, sentiments and recognitions that affects workers who stay after automatic staff reduction. Those remaining behind after the victims have left may experience a range of emotions including frustration, , anger, sadness, unfairness, betrayal, distrust, instability, vulnerability, disappointment, hatred, outrage, and despondency.

According to Selden (2006), suggests that employees who feel insecure about retaining their job may suffer a loss of happiness. Employees who survive the downsizing process may develop reduced organizational commitment which is as a result of low morale; even if the treatment they get does not account for the trauma they endure. Downsizing in form of retrenchment may create demoralization, dampen organization productivity and discourage the organization's most talented and productive employees who will end up leaving the organizations.

Armstrong Stassen (2002), in his study concluded that downsizing to have a long term effect on trust, confidence and motivation for the participants interviewed.

Zachary, Abraham, Michal and Shaul (2009), carried out investigation of downsizing strategies and organizational performance using 196 companies listed on the Tel Aviv Stock Market. The result from the analysis show the constructive effect of a mix of downsizing plan on short-term performance, and the negative effect of this blend on long run performance and high-tech industry performance is adversely related to assets and personnel reductions. While downsizing influences short-term performance of bigger and mature firms positively; the converse is also true that large long-term performance of large firm is inversely related.



Marjorie, Martha and Denise (2006), reviewed organizational downsizing and its apparent effect on quality management practices. The finding of the investigation revealed that respondents in organizations that had implemented downsizing considerably brought down organizational-level quality management practices compared to those that had not downsized. Likewise, the participants in downsized firm's also experienced lower employee-level quality management practices i.e. empowerment, employee loyalty to quality management, worker sense of duty, and job stability.

### **2.2.2 Downsizing and Employees' Commitment**

Chun and Jane (2012), in their study entitled "Understanding survivors' responses to downsizing in China" found out that justice-enhancing administrative principles were linked with survivors' evaluation of their results after the retrenchment and effectively survivors' positive reactions. Moreover, the findings proved that organizational justice is a useful framework for understanding survivors' points of view in the downsizing context in China.

Beck and Wilson (2000), opined that organizational members who are committed on an affective level stay with the organization since they see their own work relationship as compatible to the objectives and values of the organization. Highly dedicated staffs are proud of their participation in the organization and put additional effort at work.

Christine (2004) carried out a research in New Zealand to discover the relationship among the survivor syndrome, organizational commitment and the psychological contract with a significant contrast between the level of commitment felt by academic and non-academic staff from the sample size of 60 employees. The research revealed that non-academic staff demonstrates a larger amount of feeling responsibility than academic staff, non-academic staff demonstrated higher level of normative commitment than academic staff and continuance commitment is of same level in both academic and non-academic staff.

Moreover, a study by Joo (2012) concluded that employees' will have higher commitment levels with the organization and record high performance when they have strong work place relationship with their employer.

Malik, Saleem and Ahmad (2010), suggested that the employees who survive downsizing, their productivity, absenteeism and the turnover is affected by the employees commitment to the

organization. This happens because employees feel that the trust they had with the organization has been violated hence betrayal.

Nikos (2006), in his study examined organizational downsizing and career development. The investigation revealed that the organization did not have a rational methodology for survivors' career advancement. The principle career advancement structure, the performance management and appraisal scheme, was for the most part seen as insufficient, while alternate structures set up, albeit by and large regarded as helpful, were not fully utilized. A significant portion of employees considered lateral moves to conceivably undermine employee advancement and security, and senior manager sees a potential absence of wide managerial help for broad use of this tool. The study concluded that proper downsizing planning must incorporate a coherent career advancement strategy for survivors.

A study conducted by Faheem (2013) in Pakistan, examined on how the survivors of downsizing affected organizational commitment, how their work morale is and their psychological well-up. 299 employees were used for data sampling and collection before downsizing while 520 numbers of employees responded after downsizing. The results revealed that organizational commitment, work morale and the employees' psychology is affected negatively as a result of downsizing.

### **2.2.3 Downsizing and Employee's Turnover**

Birgit, Nicole, Tobias (2007), sought to establish the relationship between turnover intention and preparedness for change. The study investigated leader-member exchange and occupational self-efficacy as precursors of two employability predictors. Results demonstrate that the two ideas (turnover intention, readiness for change) are, to some degree, related and appear, to some degree, comparable relationships to the antecedents.

Samuel and Chipunza (2009), carried out a study revealed that employees retention was major global concern for organizations in the face of ever increasing high rate of employee turnover. Globally, managers agree that one of the most difficult aspects of their jobs is the retention of key employees in their organizations. Downsizing can be a precursor to high rate of worker turnover (Trevor & Nyberg, 2008) and kills the employee-employer relationship. This devitalizes

the human capital and discretionary effort needed to harness the productivity benefits of high-performance work systems.

Malik and Ahmad (2010), in their study suggested that voluntary resignation can sometimes prove damaging to organisation that have downsized before. Since employees are a key important factor to the future growth of the organization, the HR must address issues that affect employees on a day to day basis, since they can easily cause the employee to resign from the organization.

Cheng, and Chih-Ting (2013), carried out a study to find out how responsible downsizing strategy affected Taiwanese firms' performance. The findings of the study showed that a well thought-out downsizing strategy can bring about greater performance for the advancement and improvement of dynamic firm capabilities.

#### **2.2.4 Downsizing and Job Security**

Esuh, Mohd and Rahman, (2013), sought to investigate how job security affects organizational performance in a multi ethnic workplace. Economic pressure was cited as the key factor that makes job security to rank highly among of employees. This is a critical factor that makes employees make a keen decision before deciding on which organization they want to work with. Another key factor that affected the job security in an organization was cited as the cultural diversity of the working force of the organization.

According to James (2012), job security significantly affects the overall team performance as well as the organizations success as a whole. He noted that employees', who felt less secure in the organisations they work for, make people to lose faith in the future of the organization, hence adversely affecting the overall performance of the organization. He affirmed that the overall performance of the organization is positively reflected by how well employees enjoy a greater job security. This is because, employees with a sense of high job security tend to perform better and this is reflected in the organisation as a whole.

KPMG (2010) conducted a study on job security and found that the priority of greater than 75% of respondents was job security when seeking employment. This is so due to the unpredictable economic situations. The findings also illustrated that 67% of the respondents would prefer

working for a Government or non- profit organization as opposed to private companies, due to recession.

Accordingly, a study by the University of Michigan's Center for the Education of Women (2010), found that professionals desire a greater level of job security. The study revealed that job security can contribute to work-life balance, hence reducing the amount of stressor. They noted that professionals would sacrifice their job security for freedom with their work. This is similar to the information regarding job security on employees', in line with the study by the University of Wisconsin-Madison (2000).The study showed that a sizeable number of respondents exceeding 40% of employees with more than seven years of service with the organization, had a low job security, compared to the 22% of employees as academic staff, which enjoyed a greater job security, while only 4% of employees within the academic staff confident of keeping their job.

According to Selden (2006), proposes that employees who feel uncertain about holding their job may endure a loss of happiness. Survivor of the retrenchment process whose treatment does not represent the trauma they are enduring may create diminished organizational commitment often caused by diminished employee assurance. Downsizing in form of retrenchment may create demoralization, dampen organization productivity and discourage the organization's most talented and productive employees who will end up leaving the organizations. Employees' high attendance is associated with high job satisfaction while high turnover and truancy are said to be identified with job dissatisfaction.

Dewettinck and Buyens,(2003), while undertaking their study found out that mismanagement of employee downsizing can seriously cause the enterprise to become attractive to jobseekers and the general public. The jobseekers and the current worker perceive the firm as uncaring, determined hire and fire unreasonably and affect the employer image. Similarly, negative publicity over retrenchment can spring up to customers whose confidence may dwindle about firm getting out of business or worry that quality of supplies and services might be compromised.

Towers Watson (2010), remarked that the employees decision on which organization to work for, was determined by a key major factor of job security within the corporation. It is therefore

important for the firm to maintain workers and ensure them of their job security within the organization, besides hiring them.

### **2.3 Summary and Research Gaps**

Downsizing is viewed as strategic opportunity to remain competitive was not seen in the same light as the early days of production in early 1970 where bigger was considered better. Although Downsizing is aimed at cutting costs, there is a general assumption that if organization must retain the best employees and managers during this process; the firm should perform better.

However, several downsizing initiatives negate this fact. Despite all the benefits which accrue from this process, negative outcomes have drawn both theoretical and practical experts' attention to the outcomes of downsizing and the main questions involved in managing downsizing initiatives effectively to achieve the desired objectives.

Furthermore, downsizing is viewed by managers as a positive win-win for both employees and employers because employees who are skilled but are no longer needed in the main operation, have the ability to transfer to other areas of the organization. The idea is to provide options to employees and to the organization by a redesign of work task to maintain the same quality to customers prior to downsizing. In any case several studies suggest that downsizing prompts resentments of job instability, diminished faithfulness leading to demoralized employees, low morale, and imperviousness to change and consequently low employees' performance.

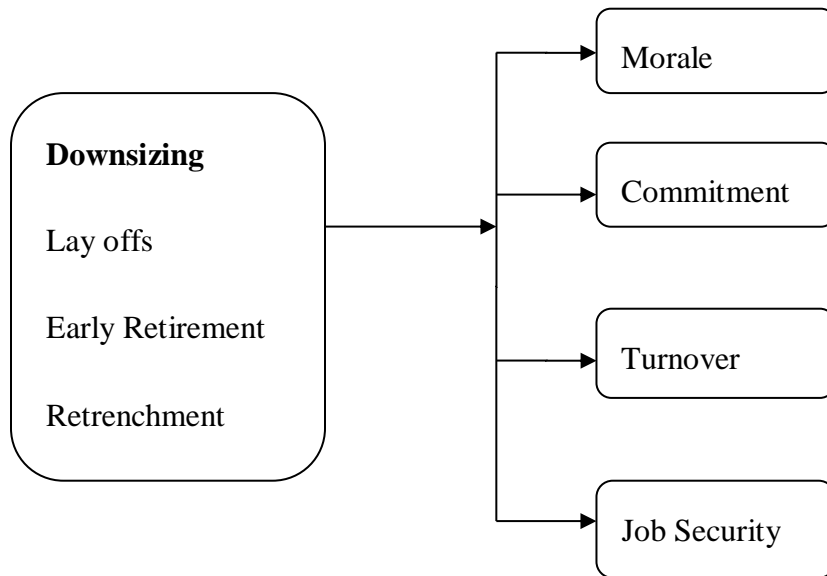
### **2.4 Conceptual Framework**

Conceptual framework is schematic diagram employed to conceptualize the relationship between variables in the study. It is made of the dependent and independent variables. The dependent variables are morale, commitment, and turnover intention and job security. The independent variable of this study is employee's performance.

## Independent variables

## Dependent variable

### Employee performance



**Figure 1.1: Conceptual Framework**

## 2.5 Conceptualization and Operationalization of Variables

Employee Performance is the successful completion of tasks/work activities by a selected person, as set and measured by a supervisor or organization, or predefined acceptable standards. This can be measured using variables such as employees' morale, commitment, and turnover and job security.

### 2.5.1 Downsizing and Employees' Morale

Morale is generally referred to as "willingness to work or feeling of togetherness. Employee morale can be measured by examining records regarding fluctuations in output, quality records, excessive waste and scrap, training records, and the number of grievances filed and job dissatisfaction. Downsizing in form of retrenchment may create demoralization, dampen organization productivity and discourage the organization's most talented and productive employees who will end up leaving the organizations.

The consequences of employees' reduction it endangers workers' dedication and morale and thus survivors may exhibit lower job and organizational satisfaction. Likewise, the surviving workers may encounter pay cut and lowered status, build fatigue due to the amount of work left by leaving workers that they would now need to carry out thereby killing their morale. Moreover, the individuals who survive the downsizing process will spend much of the time displaying feelings and reactions that include stunned, mistrust, animosity towards management and worry about colleagues which may prompt inhibit motivation among employees and lower morale.

### **2.5.2 Downsizing and Employees' Commitment**

Employees' commitment describes the ability of a person's to identify with and connection to one's work environment. Commitment generally represents a constrain that ties a person to a course of action that is of importance to a specific goal. This can be measured using variables such as withdrawal, absenteeism, performance, and career progress. Workers who stay behind may exhibit a lower commitment as they do not consider themselves as part of the larger organization. Should worker duty decay because of the scaling down, the organization will encounter a decrease in efficiency and productivity. Besides, the survivors' discernment is that the corporation is not dedicated to their prosperity and along these lines their level of commitment regarding the corporation may diminish. Consequently, the employee' level of loyalty reduces as they justifiably feel that the organization does not care about them and their prosperity.

### **2.5.3 Downsizing and Employee Turnover**

Employee Turnover is a measurement of whether an employee has left the organization or whether that organization has removed the employees from positions. This can be measured by the number of actual employees leaving the organization and new recruits joining the organization and unscheduled turnovers. The turnover rate is a measure of the rate at which employees leave the firm. Ordinarily organization scales down their employees with an end goal to cut expenses, and if downsizing does certainly lead to expanded voluntary turnover, the organization probably becomes understaffed following downsizing and resultant turnover. The stunned from the declaration of downsizing, frequently make individuals reassess the employment

situation. The worker will reconsider whether remaining with the organization is a desirable circumstance, or if they can proceed to search for greener pastures.

#### **2.5.4 Downsizing and Job Security**

Job security can be defined as employees' job assurance and continuity, despite the general economic conditions affecting the environment of an organization. Job security can be measured by examining factors such as breach of employment contract and collective bargaining agreement, as well as the existing HR policy. Job security can also be described as the confirmation of an employee's job tenure, paying no attention to the existing economic conditions prevailing within the country, (James, 2012). It manages how well the odds of chances of keeping their occupations are, so as to remain employed.

Organizations are particularly concerned about the loyalty of their employees and cannot augment their loyalty without protecting their jobs. Given job insecurity, survivors typically perceive that even reasonable downsizing procedures will not entirely save jobs and thus great motive to leave the corporation. The impacts of layoff have prompted employees' inclination uncertain in their job and also diminished organizational commitment. Downsizing will contrarily influence survivors since they have fear of loss of their employments which produces dissatisfaction, disappointment, increased non-attendance, higher turnover and eventually increased intentions to exit the organization.

#### **2.6 Chapter Summary**

The literature reviewed shows that downsizing leads to health-related issues as well as negative impact. Downsizing is the proposed perpetual reduction in the work force which does not really positively affect organizational performance. In addition, the survivors' syndrome suggests that surviving workers may show anxiety and see the firm as having carried on downsizing unreasonably or unjustifiably, obviously feel less secure. They may also lose the conviction that their commitment to the business will be remunerated in future. In a nutshell, for all the positive outcomes that downsizing bring forth, it comes with some major problems. The major adverse consequences of downsizing included increased staff turnover, and loss of skilled and talented workers (Clarke, 2005), low employees' morale, lower innovation capacity and knowledge transfer to other companies especially rival firm. Furthermore, downsizing may disturbance of



relational connections at work; both formal and informal that has flourished throughout the years,(Mellahi &Wilkinson, 2004).

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

This chapter provides the description of the methods employed in carrying out the research study. The section is organized under the following sub sections: research design, target population, sampling design, data collection methods, data collection tools, validity, reliability and data analysis.

#### **3.1 Research Design**

As indicated by to Cooper and Schindler (2006), research design is a detailed plan which guides a research study towards its objectives so conceived to obtain answers to the research questions. The study employed descriptive design because the study sought to depict the way things exist. It also help to decides and reports the way things are and endeavours to portray such things as conceivable behavior, attitudes, values and characters (Mugenda&Mugenda, 2003).

#### **3.2 Target Population**

According to Cooper and Schindler, (2006), a population describes the entire group of characters, events or objects that possess common characteristics conforming to a given specification. Target population is the aggregate of all study units that have a potential for providing the relevant data for the research study. The target population is the representations from all categories of departments to eliminate biasness and enhance representation. The targeted population was the banking sector and particularly the employees of Sidian bank limited. This organization has 560employees across its branch network.

#### **3.3 Sample and Sampling Technique**

Sampling refer to a procedure by which a relatively modest number of people, objects or events is chosen and analyzed in order to discover something about the whole population from which it is chosen, (McDaniel and Gates 2004).The sample carefully selected to include all cadres of employees that enabled the researcher come up with accurate information regarding the effect of organization's downsizing on employees' performance in banking sector. Mugenda and Mugenda (2008), stated that a 10% of the population is considered a good sample to effectively represent the entire population even if the findings were generalized provided that the sample is

evenly distributed and homologous in nature. The convenience sampling was employed to select 56 interviewees. Convenience sampling is a non-probability sampling technique where the items of the population are selected based on their convenient accessibility and proximity to the researcher. This form of sampling allowed for a faster analysis, permitting researchers to focus on the more important aspects of their research. This method relied on data collection from population members who are conveniently available to participate in study thereby saving time and money.

### **3.4 Data Collection**

The study utilized questionnaires to gather data. Questionnaires were formulated according to the research objectives. Questionnaires are most favoured on the grounds that they are easy to administer and time saving, (Mugenda & Mugenda, 2003). The questionnaire contained both closed-ended and open-ended questions. For the self-directed questionnaires, the researcher employed drop and pick basis. This allowed the respondents adequate time to sufficiently answer the questionnaires in a free environment.

### **3.5 Pilot Study**

This section highlights the main utilized to check the internal consistency of the tool used to gather data from the respondents i.e. validity and reliability test. The pilot study was conducted using six questionnaires representing 10% of the sample size. According to Connelly (2008), suggests that a pilot study sample should be 10% of the sample. The questionnaires were administered to the respondents prior to the main study. Fewer questionnaires allowed researcher sufficient time to seek clarification for suggestion and necessary corrections from the respondents. The researchers deleted and reframed questions, which were deemed insignificant, and changed words that were considered troublesome, by the respondents to substantially straight forward language.

#### **3.5.1 Validity**

Joubert and Ehrlich (2007) stated that validity denotes the degree to which a measurement instrument actually measures what it is intended to measure. To determine the validity of the research instrument, the researcher looked for the input of the supervisor. This encouraged the vital correction and adjustment of the research instrument thereby improving validity.

### **3.5.2 Reliability Test**

Reliability refers to the extent to which a research instrument produces predictable outcomes. A pre-test of 10% of the sample was conducted to give a good representation of the selected sample hence the questionnaire were issued randomly to six respondents based on convenience of getting the respondents. Reliability was confirmed via internal consistency technique by way of computing Cronbach's alpha. The computed Cronbach's alpha coefficient obtained was 0.81 which was above the average of 0.7 and therefore satisfactory reliability (Mugenda and Mugenda, 2003).

### **3.6 Data Collection Procedure**

The researcher collected primary data to achieve the objective of study. According to Malhotra and Birks (2006), primary data is information collected to address or resolve the specific problem identified by the researcher. The primary information will be obtained from the all cadre of employees via questionnaires. A combination closed and open ended questionnaires provided the respondents easy time in responding to the questions. Semi-structured interview allow participants an opportunity to express themselves regarding actions, events, and processes, (Clark, 2010). Structured questionnaire is a method in which the researcher has a structured plan of investigation, namely a set of pre-determined questions. Moreover, the questionnaires were administered to respondents on a 'drop and pick later' basis.

### **3.7 Data Analysis and Presentation**

Data analysis involves organizing, accounting for and explaining the data in terms of the respondents' definition of the situation. According to McDaniel and Gates (2004), the objective of data analysis is to translate and make inferences huge amount of collected data. Descriptive statistics will be utilized to portray the essential features of the data in the study. After collecting the data, the researcher edited the questionnaires to ensure completeness before processing using statistical package for social sciences (SPSS) and excel sheets. Information was grouped into meaningful subsets and analyzed using descriptive statistics. Pie charts, bar charts and frequency tables formed the basic pictorial diagrams to display the analyzed information in order to ease understanding.

### **3.8 Ethical Considerations**

Ethics is the foundation for directing any successful and significant research since researchers owes a duty of care to their clients as well as respondents. The researcher obtained consent from the respondents by guaranteeing that respondents had a reasonable understanding of the reason and strategies to be utilized in the study, the dangers involved and the humble demands put upon them as a member (Best & Kahn, 2006).

According to Mugenda and Mugenda (2003), researchers must be concerned about other peoples' quality of life. They must, therefore, be people of integrity who would not take research for self-gain or research that have negative effect on others. The researcher availed ample time to clarify the purpose of the investigation to the participants and also gave confirmation that the information would be treated with utmost confidentiality, in addition to non-disclosure of respondents' identities.

### **3.9 Chapter Summary**

This study utilized primary method as the essential technique to collect the data from all cadres of employees working at Sidian bank limited. Statistical package for social sciences (SPSS) and excel sheets will be performed in order to provide evidence aimed at gaining understanding of the downsizing phenomenon. Secondary data from employee records, HR policies and informal interview were examined with a view of getting the overview. Descriptive statistics was employed to describe the basic features of the data in the study.

Furthermore, data analysis is based on quantitative method in order to derive the findings upon which conclusions were formed to answer the research questions.

## **CHAPTER FOUR**

### **DATA ANALYSIS, PRESENTATION AND INTERPRETATION**

#### **4.0 Introduction**

This chapter presents the results of the analysis of the data collected during the study. Data analysis is organized according to specific objectives of the study. The chapter has been presented in section, section one is covered by respondents' background information then this is followed by analysis of each issue according to the research objectives.

#### **4.1 Presentation of Research Findings**

##### **4.1.1 Response Rate**

The researcher distributed 56 questionnaires to the respondents selected to participate in the study and the responses are shown in table 4.1

**Table 4.1 Response Rate**

	<b>Frequency</b>	<b>Percent</b>
<b>Response</b>	50	89.30
<b>No response</b>	6	10.70
<b>Total</b>	<b>56</b>	<b>100.00</b>

Table 4.1 shows that 50 out 56 respondents completed and returned questionnaires translating to 89.3% return rate with only a small number of respondents failing to return the questionnaire. This commendable response rate was achieved through researcher's efforts to remind the respondent to fill-in and return the questionnaires. According to Mugenda and Mugenda (2009), a response rate of 50% is considered adequate, 60% is good and 70% and above is excellent for a study. Thus, a response rate of 89.3 % was fit and reliable.

##### **4.1.2 Gender of the Respondents**

The study sought to establish the gender of the respondents and the findings are shown in the table below

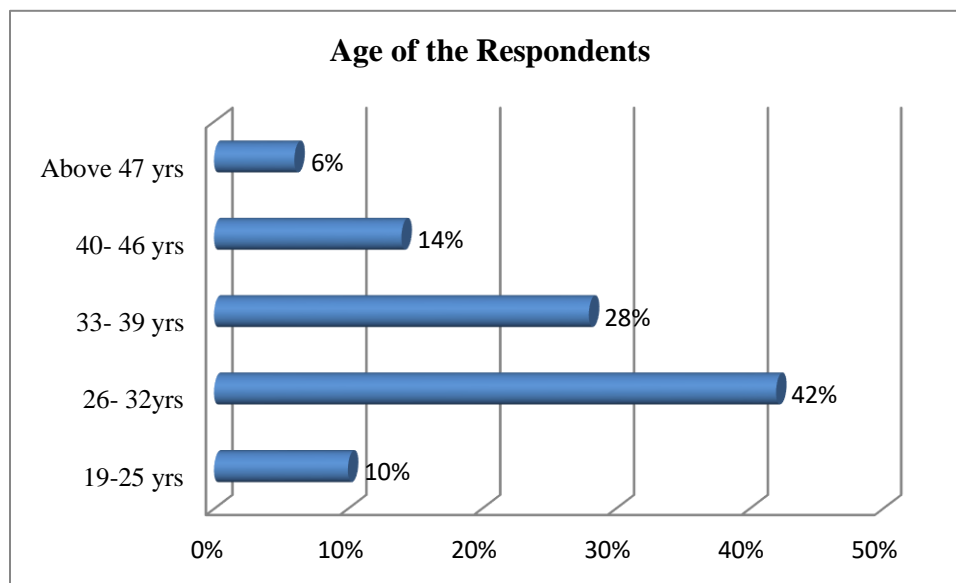
**Table 4.2 Gender of the Respondents**

Gender	Frequency	Percent (%)
Male	19	38
Female	31	62
Total	50	100.0

Table 4.2 showed that 62% of the respondents were female and 38% were male. This implied that there were more female than men at Sidian bank. This information implies that female were more willing to participate in the exercise.

#### **4.1.3 Age of the Respondent**

The researcher further sought to establish the issue of age bracket and the findings are shown below



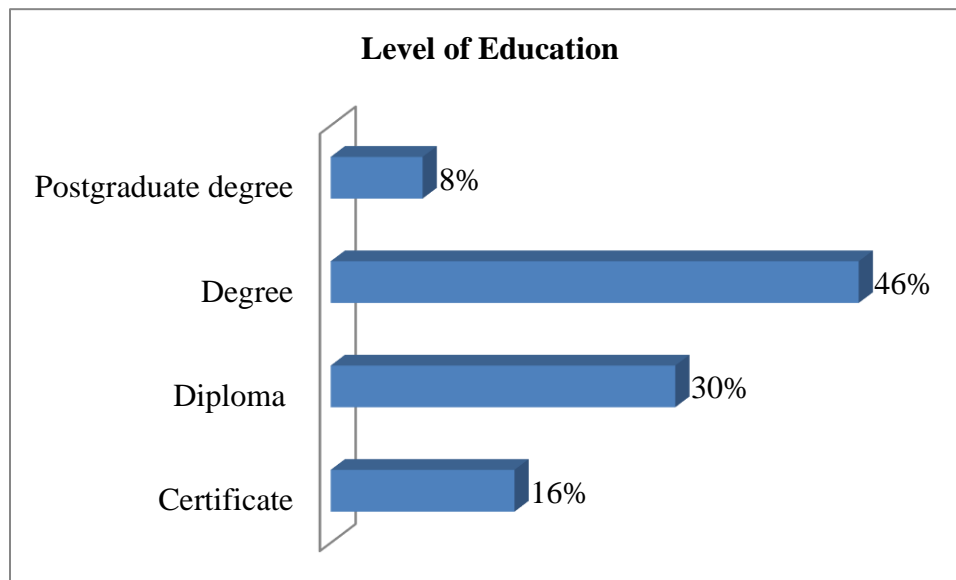
**Figure 4.1 Age of the Respondents**

The results from figure 4.1 indicated that 42% of the respondents were between 26-32 years, 28% were between 33-39 years, 14% of the respondents were between 40-46 years, and only 10

% of the respondents were aged between 19-25 years,. Moreover, 6% respondents were above 47 years. This implies that respondents of different age participated in the study.

#### **4.1.4 Level of Education**

The study sought to find out the education level of the respondents and the findings are as shown below.



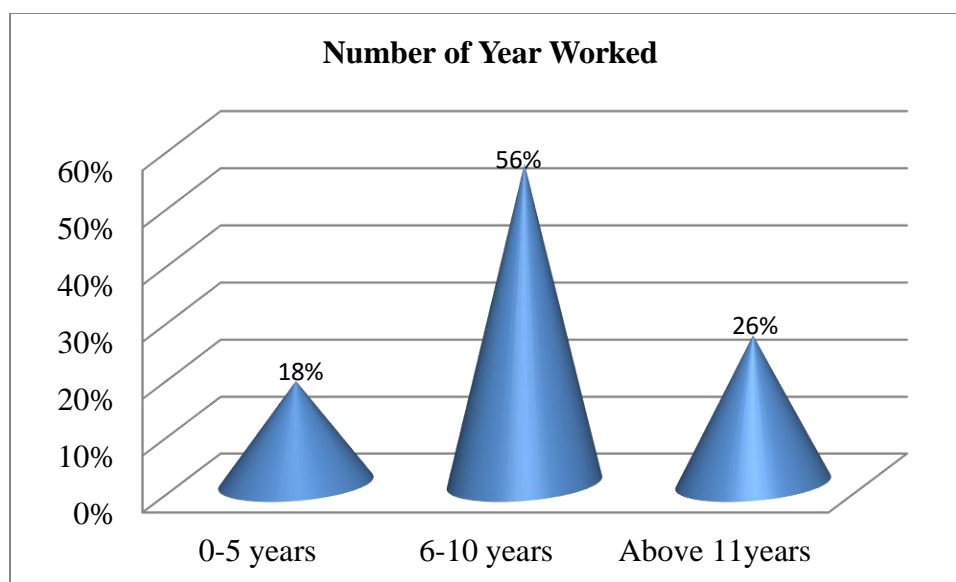
**Figure 4.2 Level of Education**

The study showed that 46% of the respondents had attained degree level, 30% had attained diploma education and 16% of the respondents had attained certificate. However, only 4 respondents representing 8% had obtained postgraduate degree. This implies that the respondents had attained some level of education that could enable them understand issues surrounding downsizing hence respond appropriately to the questions.

#### **4.1.5 Number of Years Worked in the Bank**

The study also sought to find out the number of years the respondents had worked in the bank and the findings are as shown in figure 4.3





**Figure 4.3**Number of Year Worked in the Bank

According to the findings in figure 4.3, more than half of the respondents (56%) of the respondents revealed that they had worked in the bank between 6-10 years, and 18% of the respondents had served for between 1-5 years in the bank. Moreover, 26% of the respondents stated had served for more than 11years in the bank. This implies that the respondents had good knowledge of the bank's environment as well as bank's atmosphere before and after the implementation of the downsizing.

#### **4.2.6**Membership in Trade Union

The study also sought to find out whether the employees were member of the trade union and the findings are as shown below.

**Table 4.3**Membership in Trade Union

	Frequency	Per cent(%)
<b>Yes</b>	32	64
<b>No</b>	18	36
<b>Total</b>	<b>50</b>	<b>100%</b>

The finding in table 4.3 reveals that 64% of the respondents were members of trade union while 36% were non-members of trade union. This is an indication that they were aware of the

procedures and channels of airing employee-employer related issues such as lay off and retrenchment.

#### **4.1.7 Extent to Which Downsizing Affect Employees' Performance**

The study sought to establish whether downsizing affect employees' performance and the findings are as shown in table 4.4 below

**Table 4.4 Extent to Which Downsizing Affect Employees' Performance**

	<b>Frequency</b>	<b>Per Cent</b>
Greatest extent	35	70
Great extent	6	12
Moderate extent	3	6
Small extent	4	8
To No extent	2	4
<b>Total</b>	<b>50</b>	<b>100</b>

The study sought to find out the extent to which downsizing affects employees' performance on the impact of downsizing on employees' performance. The findings in table 4.9 illustrated that majority of the respondents indicated that downsizing affects employees' performance to a greatest extent (70%), 12% respondents indicated that downsizing affects employees' performance to a great extent; and 8% respondents indicated that downsizing affects employees' performance to a small extent. Furthermore, 6% respondents indicated that downsizing affects employees' performance to a moderate extent and 4% respondents indicated that downsizing affects employees' performance to a small extent. This means that effects of downsizing on employees' performance is not something that can be ignored since it can lead to the death of the organization if not handled properly.

#### 4.1.8 The Impact of Downsizing on Employees' Performance

The respondents were asked to give response on whether downsizing impacts on employees' performance and their responses are as shown below

**Table 4.5 Extent to Which Downsizing Affect Employees' Performance**

	Frequency	Per Cent
Positive Impact	9	18
Negative Impact	29	58
No impact	7	14
Not sure	5	10
<b>Total</b>	<b>50</b>	<b>100</b>

Table 4.5 shows that most of the respondents (58%), agreed that downsizing impact negatively on employees' performance, and 18% respondents agreed that, downsizing impact positively on employees' performance. However, 14 % respondents indicated that downsizing have no impact on employees' performance, while 10% respondents were not sure on whether downsizing impact on employees' performance. This implied that downsizing is less beneficial to the bank in many instances especially in the long run since it leaves the organizations with the underperforming employees.

#### 4.1.9 The Effects of Downsizing on Employees' Morale

**Table 4.6** The Effects of Downsizing on Employees' Morale

	Strongly Agree		Agree		Partially Agree		Disagree		Strongly Disagree	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Downsizing may create demoralization thus lowering employee's productivity	28	56	11	22	-	-	7	14	4	8
Staffing levels are adequate for the workload	-	-	13	26	-	-	6	12	31	62
There is system in place to encourage employees to offer feedback	6	12	1	2	6	12	-	-	37	74
Downsizing discourage the organization's most talented and productive employees who end up leaving the organizations	3	6	34	68	1	2	3	6	9	18
Employees feel insecure about retaining their job that might leads to loss of happiness	22	44	11	22	3	6	14	28	-	-

The results from the study suggested that the more than half of total strongly agreed that downsizing may create demoralization thus lowering employee's productivity (56%); and that employees feel insecure about retaining their job that might leads to loss of happiness (44%). In addition, the study showed that more than half of the respondents agreed downsizing discourage the organization's most talented and productive employees who end up leaving the organizations(68%).However, a significant number of the respondents strongly disagreed that system is put in place to encourage employees to offer feedback(74%); and that staffing

levels are adequate for the workload(62%).This impliedly suggest the negative effects of downsizing on employees morale which in turn requires holistic approach to address them as well as putting in place resolution mechanisms that were absent in the organization.

#### 4.1.10The Effects of Downsizing on Employees' Commitment

The study also sought to discover the effects of downsizing on employees' commitment and the outcomes are as illustrated in the table 4.10 below.

**Table 4.7The Effects of Downsizing on Employees' Commitment**

	Strongly Agree		Agree		Partially Agree		Disagree		Strongly Disagree	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Downsizing reduces an worker's dependability in the organization	6	12	33	66	4	8	-	-	7	14
Employees invest additional effort beyond the set performance standards in order to ensure the attainment of the organization mission.	3	6	3	6	2	4	37	74	5	10
Employees 'own and take care of issues as opposed to blaming others for the problem.	-	-	-	-	10	20	4	8	36	72
The anticipation of downsizing by employees can increase emotional attachment to the organization	-	-	11	22	-	-	32	64	7	14
Committed employee is perceived to be loyal and	31	62	13	26	-	-	-	-	6	12

support the organization in  
turbulent times

The findings of the study on the effects of downsizing on employees' commitment shows that most of respondents strongly agreed that committed employee is perceived to be loyal and support the organization in turbulent times (62%). The study indicated that majority of respondents agreed that downsizing reduces worker's dependability in the organization (66%) on one hand. On the other hand, majority of respondents disagreed that employees invest additional effort beyond the set performance standards in order to ensure the attainment of the organization mission (74%); and that the anticipation of downsizing by employees can increase emotional attachment to the organization (64%). Further, a significant number of the respondents strongly disagreed that employees own and take care of issues as opposed to blaming others for the problem (72%). This could infer that the remaining employees become less focused to the organization in when faced retrenchment situation. In this way, the more severe the staff reduction, the lower employees' feeling of responsibility to the organization is likely to be.

#### **4.1.11 The Effects of Downsizing on Employees' Turnover**

The study attempts to establish the effects of downsizing on employees' turnover and the results are as shown in the table 4.8

**Table 4.8 The Effects of Downsizing on Employees' Turnover**

	Strongly Agree		Agree		Partially Agree		Disagree		Strongly Disagree	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Downsizing can increase employee turnover intention	38	76	2	4	1	2	-	-	9	18
Employee turnover jeopardizes discretionary effort necessary to reap the productivity benefits of high-performance work systems.	9	18	37	74	-	-	4	8	-	-
The organization is left with less qualified workforce that ultimately hinders organization's productivity	29	58	12	24	-	-	6	12	3	6
The shock from the announcement of downsizing can cause an individual to reevaluate job situation	-	-	38	76	12	24	-	-	-	-
High intentional steady loss of workers threatens the future of enterprise.	26	52	12	24	4	8	6	12	2	4

The results outlined table 4.8 revealed that the most of those interviewed strongly agreed that downsizing can increase employee turnover intention (76%); the organization is left with less qualified workforce that ultimately hinders organization's productivity (58%); and that high

intentional steady loss of workers threatens the future of enterprise(52%).Furthermore, a high number of those interviewee agreed that the shock from the announcement of downsizing can cause an individual to reevaluate job situation(76%);and that employee turnover jeopardizes discretionary effort necessary to reap the productivity benefits of high-performance work systems(74%).This implies that the surviving employees will have to carry heavy workloads to make up for the leaving employees which in turn could lead to poor customer services and poor quality products and consequently low organizational performance.

#### 4.1.12The Effects of Downsizing on Employees' Job Security

The study sought to establish the relationship of downsizing and job security in reference to the human resource and the findings are as depicted below.

**Table 4.9The Effects of Downsizing on Employees' Job Security**

	Strongly Agree		Agree		Partially Agree		Disagree		Strongly Disagree	
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%
Jobseekers may consider job security their top priority in time of uncertain economic environment	31	62	6	12	-	-	4	8	9	18
Job insecurity may lead to poor work performance, as well as reduced motivation.	2	4	41	82	-	-	-	-	7	14
The fear of getting fired can reduce the productivity of the employee.	8	16	35	70	-	-	4	8	3	6
Major change such as downsizing in the organization causes a threat to employees' job security	32	64	5	10	3	6	-	-	9	18



Employees decision on which organization to join or not is majorly determined by job security of the organization	7	14	34	68	3	6	4	8	2	4
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More than fifty per cent of the respondents strongly agreed that major change such as downsizing causes a major threat to the job security of employees' ,within the organization.(64%); and that jobseekers may consider job security their top priority in time of uncertain economic environment (62%).Besides, of those participated in the study, most agreed that insecurity may cause poor work performance, as well as reduced motivation(82%);the fear of getting fired can reduce the productivity of the employee(70%); and that the employees decision on which organization to join or not is majorly determined by job security of the organization.(68%).This can imply that majority of workers are likely to become worried about being proclaimed excess, and begin to feel unsatisfied with their employment which in turn may leads to deliberate massive employees exit in search of other job opportunities elsewhere.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.0 Introduction**

This chapter presented summary of key research findings, conclusions drawn from the findings highlighted and recommendation. The conclusions and recommendations are drawn in attempt to address the research objective which is to investigate the effect of downsizing on employees' performance.

#### **5.1 Summary of Findings**

The following extracts of the results were briefly outlined as per the research objectives.qa

On the aspect of employees' morale, the study revealed that greater than 50% of the participants in the study stated that downsizing impact on employees' performance to a greatest extent and that employees' morale in the organization was very poor. The study also found out that downsizing may create demoralization thus lowering employee's productivity; and that employees feel insecure about retaining their job that might leads to loss of happiness. In addition, the study found out that downsizing discourages the organization's most talented and productive employees who end up leaving the organizations. However, the study found out that there was no system in place to encourage employees to offer feedback; and that staffing levels were inadequate for the workload. The findings closely concurs with the study by Cullen (2002), who stated that up to 30% of organizations deliberately fails to address employees well-being including stress and worry in the wake of layoffs. The absence of consideration in addressing the workers plight including anxiety can hurt the business in the long-run as it adds to diminished resolve, increased absenteeism, burnout, and the failure of workers to channel their grief through established channels.

On the aspect of employee's commitment, the study found out that downsizing dramatically reduces worker's dependability in the organization on one hand. On the other hand, the study found out that employees invest additional effort beyond the set performance standards in order to ensure the attainment of the organization mission; and that the anticipation of downsizing causes employees to feel alienated and eventually psychological detachment from the organization. Further, the study found out that employees' own and address issues as opposed to

blaming others for the problem. The findings of this study are in line with Kenneth and Mitchell, (2003), who contend that employees can be traumatized by layoffs, their own or those of co-workers. They also remarked that loss of work can devastatingly affect individuals' lives and can also harm, if not destroy, the relationship an organization has with the general population who remain.

On the aspect of employee's turnover, the study found out that downsizing can increase employee turnover intention; the organization is left with less qualified workforce that ultimately hinders organization's productivity; that the future of the downsizing organization is threatened by the high voluntary attrition. Furthermore, the study found out that the stun from the declaration of downsizing can make an individual reconsider job circumstance; and that employee turnover endangers discretionary effort necessary to reap the productivity benefits of high-performance work systems. These findings are firmly bolstered by Kreisman (2002), who contended that an effective manager help his employees to discover fulfillment in their work, and "satisfaction" is essential to a worker's choice to stay or transit the organization. Likewise, Silverthorne (2004), affirmed the study findings by stating that job satisfaction positively affects employees' productivity and it is contrarily related with worker's turnover.

Last but not the least, on the issue of job security, the study found out that major change such as downsizing causes a threat to employee's job within the organization and that employees may consider job security their top priority in time of uncertain economic environment. Besides, the study found that job insecurity may lead to poor work performance, as well as reduced motivation; the fear of getting fired can reduce the productivity of the employee; and that job security is major determinant that influences the employee's decision on which organization to work for or not.

The findings are consistent with Chadwick, Hunter, and Walton, (2004) who stated that downsizing is probably more effective in the long run especially if well thought out in its implementation; sound practices that strengthen the commitment of human resource managers e.g. effective communication, economic and emotional support to retrenched employees and creating work environment that guarantee job security to those who stay behind. The reported results are also supported by Fried and Cooper (2008), who found that workers may experience

significant work stressor in the form of unstable job, the fear and perceived helplessness to preserve desired state in an unfavorable workplace.

## **5.2 Conclusions**

From the foregoing discussion of the research findings, the study made the following conclusions in accordance with specific objective the researcher had sought to address.

The study concluded that downsizing affected employees' performance as well as the independent variables: employees' morale, employee's commitment, employee's turnover and employee's turnover as well.

On the aspect of employees' morale, the study concluded that downsizing impact on employees' performance to a great extent and that employees' morale in the organization was very poor. The study also concluded that downsizing creates demoralization thus lowering employee's productivity; and that employees feel insecure about retaining their job that might leads to loss of happiness. In addition, the study concluded that downsizing discourages the organization's most talented and productive employees who end up leaving the organizations. However, the study concluded that there was no system in place to encourage employees to offer feedback; and that staffing levels are inadequate for the workload.

On the aspect of employee's commitment, the study concluded that downsizing dramatically reduces worker's dependability in the organization on one hand. On the other hand, the study concluded that employees invest additional effort beyond the set performance standards in order to ensure the attainment of the organization mission; and that the anticipation of downsizing by employees does cause psychological detachment to the organization. Further, the study concluded that employees' own and address issues as opposed to blaming others for the problem.

On the issue of employee's turnover, the study concluded that downsizing can increase employee turnover intention; the organization is left with unqualified workforce that ultimately hindered organization's productivity; the future of the downsizing organization is threatened by the high voluntary attrition. Furthermore, the study concluded that the stun from the declaration of downsizing can make an individual to reconsider work circumstance; and that employee turnover jeopardizes discretionary effort necessary to reap the productivity benefits of high-performance work systems.

Last but not least, on the issue of job security, the study concluded that the employee's job stability is threatened by major changes such as downsizing within the organization; and that employees may consider employee's turnover their top priority in time of uncertain economic environment. Besides, the study concluded that job insecurity may lead to poor work performance, as well as reduced motivation; the fear of getting fired can reduce the productivity of the employee; and that the decision for an employee to work for an organization or not is determined by job security within the organization.

### **5.3 Recommendations**

From the fore going discussions, the study extracted the below accompanying recommendations: The study recommends that organization should exercise a lot of caution when implementing downsizing process since it impact on employees' performance. The organization must also improve employees' morale in the organization in an effort to enhance employee's productivity; and make them feel secure about retaining their job. The management should provide regular communication about downsizing as well as giving reasons for it to the employees to reduce uncertainty "employees staying on borrowed time".

Moreover, the study recommends that the bank must ensure employees are happy by ensuring that employees are well equipped with knowledge about their roles. This can be attained through training and employee incentives by the management. This is important since committed employees bolster the organization in turbulent times in addition to their willingness and ability to put more effort in order to attain mission for which organization was established for. Furthermore, engaging employees during downsizing is critical because employees need to understand the business rationale for their action to slash down employee, and how the change management strategies put in place. Communication breakdown is viewed as evil antic, and prompt spread of rumour mongering.

Last but not the least, the study recommends that management should also guarantee downsizing process is conscious, objective and reasonable and that the management shares the agony with the employees. The management should provide the required information since employees expect senior leaders to explain transparently and genuinely for their decision to cut back the

employees and the downsizing strategy as part of the wider strategic human resource management.

#### **5.4 Areas for Further Research**

The study researcher recommends future researchers on this topic to conduct interview guide instead of questionnaires in banking industry. Interviews guide would allow the researcher to collect qualitative data that would provide more insight into the downsizing. The study recommends further research to be conducted using a larger sample in same sector. The researchers also recommend an investigation to establish the role of stakeholders' involvement in downsizing process.

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## **APPENDICES**

### **Appendix (i): Introduction Letter to the Respondent**

Olive Itunga

P.O BOX 11246-00400

Dear Sir/Madam,

I am student at Management University of Africa undertaking my research project paper which is requirement for the fulfillment of the award of my degree in business management and leadership. I am undertaking a study on effect of downsizing on employees' performance.

Findings of this study are intended to inform various parties about the effect of downsizing on employees' performance. The success of this research will to a large extent depend the input I get from you and other respondents I therefore count on your support. Respond to all questionnaires as accurately and honestly as possible

This questionnaire is designed for the purpose of this exercise only and therefore all information contained in there will be treated with confidentiality.

Yours faithfully,

Olive Itunga.

## Appendix (ii): Questionnaire

### SECTION A: Personal Information

1. State your Gender

Male ☐ Female ☐

2. Indicate your age

19-25 yrs ☐ 26- 32yrs ☐ 33-39 yrs ☐

40- 46yrs ☐ Above 47 years ☐

3. What is your level of education?

Certificate ☐ Diploma ☐ Degree ☐ Postgraduate degree ☐

4. How long have you worked in the enterprise?

0- 5 Years ☐ 6- 10 Years ☐ Over 11 Years ☐

5. Please indicate whether you are member of trade union.

Yes ☐ No ☐

### SECTION B: Effect of Downsizing on Employees' Performance.

6. To what extent do you agree that downsizing affect employees' performance? Please tick

Greatest extent ☐ Great extent ☐

Moderate extent ☐ Small extent ☐ To No extent

7. What is the impact of downsizing on employees' performance? Please tick

Positive Impact ☐ Negative Impact ☐ No impact ☐ Not sure ☐

8. To what extent do you agree with the following statements that relate to the effects of downsizing on employees' morale?

1. Strongly Agree 2. Agree 3. Partially Agree 4. Disagree 5. Strongly Disagree

	Statements	1	2	3	4	5
i	Downsizing may create demoralization thus lowering employee's productivity					
ii	Staffing levels are adequate for the workload					
iii	There is system in place to encourage employees to offer feedback					
iv	Discourage the organization's most talented and productive employees who end up leaving the organizations					

v	Employees feel insecure about retaining their job that might leads to loss of happiness					
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9. Do you agree with the following variables that relate to the effects of downsizing on employees' commitment?

1. Strongly Agree    2. Agree    3. Partially Agree    4. Disagree    5. Strongly Disagree

	Statements	1	2	3	4	5
i	Downsizing reduces an worker's dependability in the organization					
ii	Employees invest additional effort beyond the set performance standards in order to ensure the attainment of the organization mission.					
iii	Employees' own and take care of issues as opposed to blaming others for the problem.					
iv	The anticipation of downsizing by employees can increase emotional attachment to the organization					
v	Committed employee is perceived to be loyal and support the organization in turbulent times					

10. To what extent do you agree with the following statements relating to the effect of downsizing on employee turnover? 1. Strongly Agree 2. Agree 3. Partially Agree 4. Disagree 5. Strongly Disagree

	Statements	1	2	3	4	5
i	Downsizing can increase employee turnover					
ii	Employee turnover jeopardizes discretionary effort necessary to reap the productivity benefits of high-performance work systems.					
iii	The organization is left with less qualified workforce that ultimately hinders organization's productivity					
iv	The shock from the announcement of downsizing can cause an individual to reevaluate job situation					
v	The future of the downsizing organisation is affected by high					

	voluntary attrition.					
vi	The relationship between downsizing and subsequent turnover is affected by employee career development.					

11. Indicate the extent to which you agree with the following statements that relate to the effect of downsizing on job security? 1. Strongly Agree 2. Agree 3. Partially Agree 4. Disagree  
5. Strongly Disagree

	<b>Statements</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
i	Employees may consider job security their top priority in time of uncertain economic environment					
ii	Job insecurity may lead to poor work performance, as well as reduced motivation.					
iii	The fear of getting fired can reduce the productivity of the employee.					
iv	Employees' job security is threatened by major changes such as downsizing.					
v	The employees' decision to work for an institution or not is determined by job security within an organisation.					